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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09/08/08

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Articles:

1) Lower House to be dissolved at outset of extraordinary Diet session; general election likely in early November

ASAHI (Top Play) (Excerpts)
September 8, 2008

The ruling Liberal Democratic Party and its coalition partner New Komeito have launched coordination with the possibility of electing a new prime minister in the upcoming extraordinary Diet session, planned to be convened on Sept. 24, and of dissolving the House of Representatives immediately after a new cabinet is inaugurated. Since the ruling parties are now considering holding a Lower House election after the new prime minister's policy speech and questioning sessions by party representatives, the Lower House will be dissolved in effect at the outset of the extraordinary Diet session. The most likely option is that the Lower House will be dissolved in late September or early October and that a general election will be held on Nov. 2 or 9.

The prevailing view in the ruling coalition soon after Prime Minister Yasuo Fukuda's announcement of his resignation was that the Lower House should be dissolved to call a snap election after adopting a supplementary budget for fiscal 2008, which includes a package of economic stimulus measures. Assuming, however, that the new cabinet's support rate will rise, since the LDP's approval rate

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is now on the increase in various media polls with all eyes fixed on its presidential election, in which more than five lawmakers have announced their intention to run, the view has gained ground in the ruling camp that it would be better to hold the general election soon after the new cabinet is inaugurated.

Although many in the New Komeito, which places importance on implementing economic measures, hope that the Lower House will be dissolved after the supplementary budget is adopted, the party is expected to accept the LDP's idea, as it has called for an early Lower House dissolution.

LDP Election Strategy Council Chairman Makoto Koga on an NHK TV program yesterday said that the Lower House should be dissolved after the new prime minister's policy speech and questioning sessions by party representatives. He said: "I think the best schedule would be if we can face a general election after making the best of the LDP leadership race."

Asked about his view on the voting date for the general election, Koba said: "I think October would make the schedule rather tight." He indicated that the election would be held in early November or later.

Another senior LDP member admitted that the LDP and New Komeito were discussing the matter, saying

"If we deliberate on the supplementary budget, the momentum of the presidential race will come to a stop. It would be better for us to dissolve the Lower House at the outset of the extraordinary Diet session."

2) Lower House election likely to be held on Nov. 9

MAINICHI (Page 1) (Excerpts)
Sept. 8, 2008

A Lower House election will likely be held on Nov. 9, with the campaign for the race kicking off on Oct. 28, several senior ruling coalition members revealed yesterday. The ruling parties plan to convene the next extraordinary Diet session on Sept. 24. The outlook is therefore that the new prime minister will dissolve the Lower House in early October, after the questioning sessions by party representatives following the prime minister's policy speech at the

extraordinary Diet session. The ruling coalition has judged it better to hold the general election soon after the LDP leadership race, on which all eyes are fixed.

The ruling camp is now carrying out coordination to hold the new prime minister's policy speech on Sept. 29 and each party's representative interpellations at both chambers of the Diet on Oct. 1-3.

Although the New Komeito, the LDP's junior coalition partner, had called for a Lower House dissolution later this year or early next year, many in the LDP wanted to avoid an early dissolution due to the cabinet low support rating. However, many LDP lawmakers have now shifted their stand as the LDP presidential race has actually begun following Prime Minister Yasuo Fukuda's sudden announcement of his resignation. A senior LDP member yesterday said:

"Now matter who becomes prime minister, there will be no choice.

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There is no prospect for getting approval of a supplementary budget bill from the opposition. So, the new prime minister will have no other choice but to dissolve the Lower House."

The view accepting the idea of holding the general election on Nov. 9 is now gaining ground in the New Komeito, which has stressed the need for enacting the supplementary budget bill as their effort to appeal to the public, with the Lower House election in mind. A senior New Komeito member said: "Since more than one month is needed to enact the supplementary budget, we may loose the LDP election's bounce."

3) In LDP presidential race, Aso to propose increasing government spending over next three years, while Yosano to pledge to allocate consumption tax revenues for social security purposes

YOMIURI (Page 1) (Excerpts)
September 8, 2008

Secretary General Taro Aso and State Minister for Economic and Fiscal Policy Kaoru Yosano will run in the Liberal Democratic Party presidential election (official announcement on Sept. 10 and election on the 22nd). Aso is willing to aggressively increase government spending over the next three years to buoy up the economy, according to his blueprint for the leadership of the party revealed yesterday. Meanwhile, Yosano is expected to maintain the current government policy of fiscal restraint in his blueprint. Yosano intends to pledge to allocate consumption tax revenues for social security programs and to tackle the drastic reform of the tax system, including the consumption tax, over the next three years, showing a quite different stance from Aso in terms of fiscal management.

Aso is expected to announce his campaign manifesto, titled "Japan's potential strength - Creating a strong and cheerful Japan," tomorrow. He says in his manifesto: "I will take measures to boost the economy through tax cuts and regulatory reforms," apparent with an eye on improving the preferential tax system for stock swaps, in addition to implementing a comprehensive economic package compiled by the government and the ruling camp. Aso also notes: "I will flexibly respond to the situation while maintaining the fiscal reconstruction policy." This remark is to demonstrate his view that the government's fiscal reconstruction goal of turning the primary balance into the black in fiscal 2011 should be delayed later. On the pension system, Aso does not specify how the consumption tax should be treated, just saying: "I will promote national debate in order to stably secure fiscal resources."

Yosano will announce his manifesto today. He intends to address the task of allocating consumption tax revenues solely for social security programs, in line with reviewing the income tax, the corporate tax, and other issues, over the next three years. In his blueprint, he notes he will submit a bill on a bold medium-term tax reform program to the coming extraordinary Diet session.

4) Koike to announce candidacy today for LDP presidency; Tanahashi,

Yamamoto searching for ways to join efforts

NIKKEI (Page 2) (Excerpts)
September 8, 2008

Former Defense Minister Yuriko Koike has decided to officially

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announce her candidacy for the Liberal Democratic Party presidency to determine the successor to Prime Minister Yasuko Fukuda. There are no prospects for former Science and Technology Policy Minister Yasufumi Tanahashi and House of Councillors member Ichita Yamamoto to secure the necessary signatures of 20 party lawmakers. Given the situation, the two lawmakers' camps are apparently searching for a way to united behind a single candidate.

The race is likely to include at least five candidates, including Secretary General Taro Aso, Economic and Fiscal Policy Minister Kaoru Yosano, and former Defense Minister Shigeru Ishiba.

Koike told reporters last evening in Tokyo: "I have secured the signatures of 20 lawmakers, so I would like to announce my candidacy formally in a press conference on the 8th."

Former Policy Research Council Chairman Nobuteru Ishihara indicated in a TV-Asahi program yesterday morning that he would include in his campaign pledges a plan to reduce the numbers of Diet seats to 300 in the Lower House and 100 in the Upper House. He said: "A major tax hike would be necessary unless we continue our efforts to cut spending. It is necessary for us to make efforts to reduce the number of Diet seats."

After the Fuji-TV program yesterday morning, Tanahashi informally asked Yamamoto about the two joining their efforts. Yamamoto told reporters around noon yesterday: "Two young reformers are eager to run in the race, but coming up with a single candidate is not easy. I would like to consult (with Mr. Tanahashi)." Tanahashi and Yamamoto appear to have continued discussing the matter in Tokyo last night.

5) New Komeito to reelect Ota as its representative on Sept. 23

NIKKEI (Page 2) (Excerpts)
September 8, 2008

The New Komeito is expected to reelect Akihiro Ota as its chief representative in its party convention on Sept. 23. The party's upbeat mood comes from Liberal Democratic Party lawmakers' need for the organized votes of Soka Gakkai, a lay Buddhist organization serving as the New Komeito's largest support base, in the next Lower House election, which is expected to be an uphill battle for the LDP.

In early August, before the latest cabinet shuffle, LDP executives came up with a shocking projection based on their own data: the LDP would not be able to garner 100 seats in the next Lower House election without the support of the New Komeito and Soka Gakkai.

The LDP suffered a crushing defeat in the Upper House election last summer under then Prime Minister Shinzo Abe who had succeeded Junichiro Koizumi. The LDP's vote-gathering capability has visibly declined due to postal privatization and a drop in public works projects.

In last year's Upper House election, the New Komeito garnered 7.77 million votes in the proportional representation portion. Simply dividing this figure by the 300 single-seat constituencies, this meant that approximately 26,000 people voted for the New Komeito in each electoral district. The figure carries great significance for candidates running in hard-fought single-seat constituencies.

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"If the LDP does not unseat the prime minister, we will pull the

wires," a veteran New Komeito lawmaker said two months before Prime Minister Yasuo Fukuda announced his resignation. The New Komeito even threatened the LDP with an end to the coalition arrangement in forcing the party to include a flat-sum tax cut in an economic stimulus package. The fixed-sum tax cut focused on New Komeito supporters brings to mind the old regional promotion tickets. The LDP leadership was reportedly steamrolled by the New Komeito despite the prime minister's order not to be at the beck and call of its junior partner.

6) Ichiro Ozawa to win today in effect DPJ presidential election for third term

SANKEI (Page 3) (Excerpts)
September 8, 2008

The main opposition Democratic Party of Japan (DPJ) will announce today its presidential election, which will be held following the expiration of the term of President Ichiro Ozawa. It is certain that Ozawa will be reelected for his third term since no other candidates are running in the race. The DPJ will officially reelect Ozawa in its extraordinary convention on Sept. 21. The term of the LDP presidency is two years.

Ozawa stressed in a meeting of the party's Lower House members held yesterday in Utsunomiya City:

"I formed the government of Prime Minister Morihiro Hosokawa a dozen or so years ago after leaving the Liberal Democratic Party (LDP), but the government existed for a short period. I feel responsibility for that. So I am now determined to form a government for the people with your support."

Ozawa expressed his resolve to win the next Lower House election in order to create a government-led by the DPJ.

7) DPJ's Kan unveils two revolutions, three reforms ahead of Lower House election

TOKYO SHIMBUN (Page 2) (Full)
September 8, 2008

Democratic Party of Japan Deputy President, appearing on an NHK news program yesterday, revealed a plan to draft the party's manifesto centering on two revolutions and three reforms for the next Lower House election.

As the two revolutions, Kan cited: (1) shifting the budget and authority to local governments by abolishing the central agencies' local bodies, such as the Land, Infrastructure and Transport Ministry' regional development bureau; and (2) reducing the bureaucracy's influence on the decision-making process to bring greater transparency to it.

As to the three reforms, he reiterated the pledges from the party's manifesto used for last year's Upper House election: (1) reform of the social security system, including the pension program; (2) an income-subsidy system for farmers; and (3) a child-support system centering on a 26,000-yen child allowance.

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8) DPJ's Hatoyama says party will reject Diet deliberations on supplementary budget

TOKYO SHIMBUN (Page 2) (Full)
September 8, 2008

Democratic Party of Japan Secretary General Yukio Hatoyama in a press conference yesterday in the city of Aomori expressed a negative view about discussing the fiscal 2008 supplementary budget in the next extraordinary Diet session. He said: "Discussing specifics would take a long time. It would be effective and faster to carry out the next election at an early date to bring about a change of government and implement our party's emergency economic stimulus package."

Appearing on a Fuji TV program, Hatoyama also made this comment on his party's response to the Diet in the event the next Lower House election failed to bring about a change of government: "We will have to deal with the situation more flexibly by respecting popular will."

9) North Korea suspected of another abduction

SANKEI (Top play) (Abridged)
September 8, 2008

In 1998, a Japanese woman went missing in Ise, Mie Prefecture. This woman is suspected of having been abducted to North Korea. This news was brought to the government from sources familiar with relations between China and North Korea, government sources revealed yesterday. The woman is not on the government's list of abductees or missing persons. Meanwhile, investigative authorities have decided to reinvestigate her case as a possible abduction. They will ferret out whether there was a suspicious ship near the place where she went missing. The government's abduction taskforce also has this information and is strongly interested in the case. This woman, if she is confirmed to have been abducted, will be the 18th abductee.

North Korea's General Secretary Kim Jong Il has denied his country's involvement in the abduction of Japanese nationals since 1985. If the suspected abduction of this Japanese woman is true, North Korea's claim will likely be undermined.

The woman is Noriko Tsujide, who was a 24-year-old resident of Tsu City born in Miyazaki Prefecture and an editing reporter for Ise Shima, a community magazine published in Ise City. Tsujide went missing after leaving her office late at night on Nov. 24, 1998.

Mie prefectural police found out that Tsujide had a telephone call from a male acquaintance and met him at a nonlife insurance company's parking lot in the city of Ise. The police questioned him. This man said, "I met her that night, but I don't know what happened to her after she got out of my car." Her case has since been unsolved.

Around the spring of this year, however, a government official learned from a source connected to China-North Korea relations—who is familiar with things in North Korea—that "a person by the name of Noriko Tsujide might be in North Korea." On that occasion, that Japanese government official never referred to her name, but his counterpart gave her full name, according to informed sources.

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In the summer of 2006, there was information from a North Korean defector claiming that he had seen a person who looks like Tsujide in North Korea. A Japanese nongovernmental organization, however, found out that it was a different person.

This time around, however, there was information from another channel about the possible abduction of Tsujide. Mie prefectural police and other authorities will therefore reinvestigate her case.

"It's strange that a person from a third country would know the name of a person who is not designated even as an abductee or a missing person." With this, a government official expressed concern about her case.

10) Settlement of abduction issue now uncertain, with North Korea putting off reinvestigation

YOMIURI (Page 2) (Full)
September 6, 2008

North Korea announced a plan to put off the reinvestigation it had promised earlier to pin down the whereabouts of the Japanese nationals abducted by its agents up until the new administration is launched in Japan. Learning of this news, a number of Japanese government officials voiced dissatisfaction and frustration yesterday. On the Japanese government side, however, there is no

decisive countermeasure. Uncertainty is again looming over development of the abduction issue.

State Minister for the Abduction Issue Nakayama severely criticized North Korea's response, telling reporters in Tokyo yesterday: "I would like to see the other side take a specific action to return the abduction victims to Japan at an early date. North Korea has not shown a sincere attitude in addressing the abduction issue."

Chief Cabinet Secretary Machimura also made this remark in a press conference yesterday: "It is very regrettable. We will continue to work on the North (to launch an early reinvestigation)."

Tokyo has agreed to partially lift or ease sanctions against Pyongyang if it starts reinvestigating the issue.

After Prime Minister Fukuda announced his intent to step down, the government also continued to urge the North to start the reinvestigation, with Foreign Minister Koumura saying: "Japan will deliver on its promise." But a government source surmised that North Korea has decided to take a wait-and-see attitude for a while, based on the view that Japan's foreign policy might significantly change, depending on the outcomes of the upcoming Liberal Democratic Party presidential race and the next House of Representatives election.

A senior Foreign Ministry official grumbled: "North Korea may not take any action at least for the next three weeks" until the new prime minister is elected." Vice Foreign Minister Ichita Yamamoto in charge of affairs in the Asia-Pacific region, including North Korea, resigned from his post yesterday to run in the LDP presidential election, but the government has no intention to fill the vacated post.

Meanwhile, in reaction to the U.S. government's delay in removing the country from its list of terrorism-sponsoring nations, North Korea has suspended the process of disabling its main nuclear

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facility in violation of an agreement reached in the six-party talks. The North has even indicated a willingness to resume operation of its Yongbyon reactor.

The government sees that the North's delay in the pledged reinvestigation is not directly linked to its tough posture on the nuclear issue, but a government source commented: "It is unable to read what action North Korea will take next."

11) Nuclear subs need to discharge radioactive water: U.S. documents

AKAHATA (Page 1) (Full)
September 7, 2008

In November 1964, a U.S. nuclear-powered submarine made a port call in Japan for the first time. In those days, Japan negotiated with the United States over the nuclear submarine's port call and requested that the nuclear submarine not discharge primary cooling water or any other radioactive substances in Japan's territorial waters. However, the United States obstinately rejected the request. This fact became known from declassified U.S. government documents discovered at the U.S. National Archives. Shoji Niihara, a scholar of international studies, obtained and analyzed these declassified documents.

The declassified documents include telegrams between the U.S. Embassy in Japan and the U.S. Department of States regarding bilateral negotiations over Japan's acceptance of nuclear submarine port calls in 1963 and 1964.

According to the documents, the Japanese government requested that nuclear submarines not discharge any liquid or solid radioactive substances in Japan's territorial waters without prior approval from Japan's competent authorities.

The U.S. State Department, however, took the position that the United States "regrettably cannot comply with the request, and the

State Department instructed the U.S. Embassy to answer that "it is necessary to discharge a small amount of low-level radioactive (cooling) water during the nuclear reactor's primary warm-up."

The Japanese government also asked the U.S. government to provide data in order to check the safety of nuclear submarines. However, the U.S. government rejected this request on the strength of military secrets, maintaining that "all relevant data are classified."

Concerning the discharge of radiation from U.S. nuclear-powered submarines, it was brought to light early last month that the USS Houston, a nuclear-powered submarine of the U.S. Navy, had continued to discharge radiation for over two years during its port calls in Japan. However, the documents discovered this time indicate that U.S. nuclear submarines could have discharged radioactive substances in Japanese waters over the past 44 years since the first port call of a U.S. nuclear submarine in Japan. This problem is also concerned with the nuclear-powered aircraft carrier USS George Washington's scheduled deployment to Yokosuka in Kanagawa Prefecture.

12) Keidanren to agree on environmental tax, on condition of using road tax revenues for that purpose

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ASAHI (Page 1) (Full)
September 6, 2008

The Japan Business Federation (Nippon Keidanren) has decided to accept a plan to introduce an environment tax, although it had opposed the idea. The business group will oppose introducing a new tax that will lead to a heavier burden on companies but will call for transforming such existing taxes as the gasoline tax and the oil and coal tax into an environment tax. Keidanren will incorporate this policy decision in a set of recommendations on tax reform due out soon.

The proposed environment tax is intended to curb emissions of environmentally harmful materials by imposing a tax on companies or consumers discharging such materials. Revenues from the environment tax may be used to finance environment-protection measures in some cases.

As a measure to contain global warming, the Environment Ministry has called since 2004 for introducing an environment tax on fossil fuel such as oil, coal, and natural gas that discharge carbon dioxide.

Keeping the government's policy decision to free up road revenues in mind, Keidanren intends to suggest in its recommendation report that gasoline and other energy-related taxes be defined as those to be imposed in accordance with the level of CO2 emissions and that their revenues be used to fund environmental measures.

Although Keidanren had opposed using road tax revenues for other purposes than highway construction and maintenance, it made a policy switch following the Fukuda cabinet's decision in May to shift road tax revenues to the general budget. The business group also kept in mind the "action plan to create a low-carbon society" the Fukuda cabinet released in July, which specified that the government will review the tax system as a whole from the viewpoint of reducing CO2 emissions.

According to Keidanren, the total amount of tax revenues from auto-related and other taxes for both central and local governments reaches 10 trillion yen annually. The dominant view is that "energy-related taxes are already excessive," as a senior member said.

Now that a reduction in the gasoline tax is unlikely, Keidanren appears to have concluded that it would be wise to approve transforming existing taxes into an environment tax and avoid a new environment tax.

ZUMWALT